



## AGENDA REPORT

**To:** Chairperson Judith N. Frank and Oversight Board Members

**From:** Brian Saeki, Executive Director  
By: Nick Kimball, Finance Director

**Date:** April 9, 2015

**Subject:** **Review of ROPS 14-15A Administrative Cost Allowance for the Period Covering July 1, 2014 through December 31, 2014**

### **RECOMMENDATION:**

It is recommended that the Oversight Board to the Successor Agency to the San Fernando Redevelopment Agency:

- a. Receive a presentation on actual ROPS 14-15A Administrative Cost Allowance expenditures; and
- b. Provide staff direction on report of these costs in future ROPS.

### **BACKGROUND:**

1. Under AB X1 26 and AB 1484, an "Administrative Cost Allowance" is paid to the Successor Agency from property tax revenues allocated by the County Auditor-Controller. The Administrative Cost Allowance is defined as an amount, subject to the approval of the Oversight Board, up to a maximum of 3% of the property tax allocated for enforceable obligations, but not less than \$250,000 for any fiscal year unless the Oversight Board reduces this amount. The Administrative Cost Allowance is allocated from the Redevelopment Property Tax Trust Fund (RPTTF) by the County Auditor-Controller.
2. Wind-down activities to be covered by the Administrative Cost Allowance include, but are not limited to, preparing the ROPS, making payments due for enforceable obligations, providing all documentation required by the DOF and County Auditor-Controller, managing assets and properties of the former redevelopment agency, enforcing all former RDA rights (e.g. collecting loans, rents and other revenues due to the RDA), overseeing development of properties until work has been completed, and complying with all provisions of the Dissolution law.

3. The City of San Fernando, as Successor Agency to the San Fernando Redevelopment Agency, receives the minimum \$250,000 per fiscal year for providing administrative services to the Successor Agency and facilitating the wind-down of the San Fernando Redevelopment Agency.

#### **ANALYSIS:**

Successor Agency staff was asked by the Oversight Board to provide more detail regarding actual Administrative Cost Allowance expenditures for the most recently completed ROPS period, ROPS 14-15A (July 1, 2014 through December 31, 2014). To produce as accurate an accounting of costs as possible, staff revisited the initial estimates and spent a significant amount of time with each affected Department Head reviewing emails and notes to ensure that that estimates were reflective of actual time spent.

Based on the analysis, staffing and operational costs attributable to Successor Agency activities were approximately \$160,000, for which the City, as Successor Agency, was only compensated \$125,000. In addition to routine activities, such as preparing the ROPS, reviewing legislation, and accounting for all SA transactions, staff spent a significant amount of time on the management, protection, and upkeep of SA owned property, as well as implementing the Long Range Property Management Plan.

It should be noted that activities tend to vary in each ROPS period. Since dissolution, Successor Agency staff has dedicated a significant number of hours managing and providing information for three very in-depth audits, producing and implementing a Long Range Property Management Plan that provides a road map for development for each Successor Agency property that were approved by DOF as "land held for future development," working with DOF and County staff to ensure that the Dissolution Law is applied accurately and fairly, defending the former Redevelopment Agency against various lawsuits, and managing Successor Agency properties to ensure they do not present a public safety issue. The cost of these activities in prior periods also FAR exceeds the \$125,000 received as compensation by the City has had a significant negative impact on the City's General Fund and overall financial stability as the City's taxpayers were paying for services that were not being adequately reimbursed.

#### **BUDGET IMPACT:**

Prior to dissolution, the City was receiving approximately \$1 million per year as compensation for administrative expenses from the Redevelopment Agency. Although there is not as much activity post dissolution, there is still a significant amount of City staff time dedicated to various aspects of winding down the Redevelopment Agency. The City is only receiving the minimum

provided by the Dissolution Act. Consequently, San Fernando taxpayers are subsidizing wind down activities mandated by the State.

**CONCLUSION:**

Staff recommends the Oversight Board provide direction related to the Administrative Cost Allowance reporting in future ROPS periods.

**ATTACHMENTS:**

- A. ROPS 14-15A Admin Cost Allowance Expenditures (July 1, 2014 – December 31, 2014)
- B. Breakdown of Hourly Rates

ROPS 14-15A Admin Cost Allowance Expenditurs

	<u>Staff member</u>	City Manager	Deputy City Manager	Finance Director	Junior Accountant	AP Clerk	Comm Dev Director	Code Enforcement	Graffiti Abatement	Public Works Field Staff	City Treasurer	City Clerk	Executive Assistant to City Manager
<u>Activity</u>													
1) ROPS Preparation and related activities		2.00	2.00	15.00	15.00	-	3.00	-	-	-	2.00	4.00	4.00
a) Discuss ROPS with DoF and County A-C													
2) Retirement Tax Levy Settlement Negotiations		5.00	5.00	20.00	12.00	-	4.00	-	-	-	-	-	-
3) OB Meetings - Staff meeting, preparation and discussion of reports		1.00	1.00	4.00	2.00	-	4.00	-	-	-	-	-	-
4) SA Meetings - Staff meeting, preparation of Agenda, discussion of reports, etc.		1.00	1.00	4.00	3.00	-	2.00	-	-	-	-	4.00	4.00
4) Correspondence with Bond Trustee		-	-	2.00	4.00	-	-	-	-	-	-	-	-
5) Correspondence with Fitch regarding bond rating		1.00	1.00	5.00	2.00	-	-	-	-	-	-	-	-
6) Review of related legislation (AB 1450)		2.00	1.00	5.00	5.00	-	5.00	-	-	-	-	-	-
7) Discussion and Research with County re: expiration of PA 3		1.00	1.00	2.00	1.00	-	-	-	-	-	-	-	-
8) State Controller's Office Audit		1.00	1.00	4.00	16.00	-	1.00	-	-	-	2.00	-	-
a) Support auditors, review report, respond to findings, etc.													
9) Accounting for SA		-	-	1.00	5.00	12.00	-	-	-	-	6.00	-	-
10) Reporting SA Fiduciary Fund in CAFR		-	-	10.00	10.00	-	-	-	-	-	-	-	-
11) LAUSD lawsuit		1.00	1.00	15.00	10.00	-	-	-	-	-	-	-	-
12) Property Management for SA owned properties (Parking lots and 1320 San Fernando)*		20.00	30.00	-	-	-	25.00	-	-	-	-	-	-
13) Enforcement Activity for SA Properties (Parking lots and 1320 San Fernando)**		-	10.00	-	-	-	25.00	75.00	90.00	50.00	-	-	-
14) Implementation of LRPMP***		75.00	60.00	10.00	5.00	-	100.00	-	-	-	-	-	-
		110.00	114.00	97.00	90.00	12.00	169.00	75.00	90.00	50.00	10.00	8.00	8.00
Staff Cost:		18,638.89	13,695.83	11,114.58	9,375.00	1,125.00	22,063.89	5,989.58	6,062.50	3,125.00	729.17	538.89	538.89
												Subtotal	\$ 92,997
Police Services - Response and patrol of SA Properties (approx. 1 officer @ 2 hour per 24 hour day)													22,813
Maintenance at SA Parking lots (trash removal, weed abatement, landscaping, etc.)													7,500
Graffiti Removal at SA properties (4hrs/month)													1,899
Street sweeping at SA parking lots		3,500											
Fence rental @ 1320 San Fernando		1,500											
HdL - Property tax administrative services		2,500											
Olivarez Madruga - Project 4 Settlement Agreement		15,000											
Olivarez Madruga - Legislative update - AB 1450 et al. - General counsel		1,500											
Richards, Watson, Gershon - Bond Counsel re: retirement of bonds and reporting requirem		1,000											
Van Lant & Fankhanel		5,000											
TOTAL CONTRACT/OPERATING COSTS:	\$	30,000											
Other overhead costs (25% of Contract/Operating Costs)													
Purchase check stock, ink, printer maintenance, finance software support,	\$	7,500											
lease of space and utilities, payroll related to SA staff costs, liability insurance premiums, etc.													
TOTAL		162,708.86											

NOTES:

Item 12) Staff attended settlement conference, multiple phone conversations with counsel, reviewing calculation, providing documentation re: historical pass through payments.

Item 13) Includes ongoing work from CM, Deputy CM/PW Director, and CD Director on management of former SA currently being used as surface parking lots and vacant land.

Item 14) Includes ongoing work from Deputy CM/PW Director, CD Director, Code Enforcement, Graffiti Abatement, and PW Field Staff to address illegal dumping, maintenance of shared trash facilities located on-site, removal of trash and debris, and graffiti removal services during the 6-month period.

Item 15) Includes ongoing work from CM, Deputy CM/PW Director, CD and Finance Directors, and Junior Accountant assessing redevelopment opportunities for the former SA land held for future development including possible infill and mixed-use development opportunities as well as needed infrastructure upgrades to said sites to facilitate said future development opportunities.

Attachment B

## Breakdown of Hourly Rates

	Salary & Benefits	Overhead*	Total Cost of Employee	Hourly Rate**
City Manager	244,000	61,000	305,000	169.44
Community Development Director	188,000	47,000	235,000	130.56
Deputy City Manager	173,000	43,250	216,250	120.14
Finance Director	165,000	41,250	206,250	114.58
Police Officer	150,000	37,500	187,500	104.17
City Clerk	135,000	33,750	168,750	93.75
Junior Accountant	115,000	28,750	143,750	79.86
City Treasurer	113,948	28,487	142,435	79.13
Executive Asst to City Manager	105,000	26,250	131,250	72.92
Code Enforcement Officer	97,000	24,250	121,250	67.36
Graffiti Abatement Officer	97,000	24,250	121,250	67.36
AP Clerk	90,000	22,500	112,500	62.50
Public Works Maintenance Worker	90,000	22,500	112,500	62.50

\*Overhead rate is 25%

\*\*Hrly rate based on 1,800 productive hours/year

### Overhead Calculation:

#### Direct Service Departments:

Community Development	838,875	
Police Department	6,304,323	
Public Works	2,674,846	
Recreation and Community Service	1,424,961	
Fire Dept.	2,800,000	
	<u>14,043,005</u>	76%

#### Support Services (Overhead):

Administration	1,422,468	
Finance and IT	2,934,230	
	<u>4,356,698</u>	24%

Total 2014-15 GF Budget 18,399,703

Average Annual Leave	Vacation	Sick	Holiday	TOTAL
Management	120	200	96	416
Miscellaneous	140	96	96	332
Public Safety	120	96	144	360